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CAMBODIA

The military situation of the Cambodian government deteriorated during the past week. Along the Mekong River, the Khmer Communists have extended their control near the two key river narrows some 25 and 40 miles downstream from Phnom Penh, and insurgent forces are beginning to zero in on the government navy base at Neak Luong.

In the Phnom Penh area, the Cambodian army's 7th Division, manning the capital's northwestern defenses, appears vulnerable after six weeks of battering.

The Cambodian high command has called in some units from the provinces to help defend Phnom Penh and to reopen the Mekong. The reinforcements provided so far have not been enough. The high command will have to strip its provincial defenses further if it is to counter the threat to Phnom Penh and have any chance of improving the situation along the Mekong.

[redacted]
[redacted] The Cambodian army has 110,000 to 130,000 troops, some 45,000 of which are in the Phnom Penh area. [redacted]

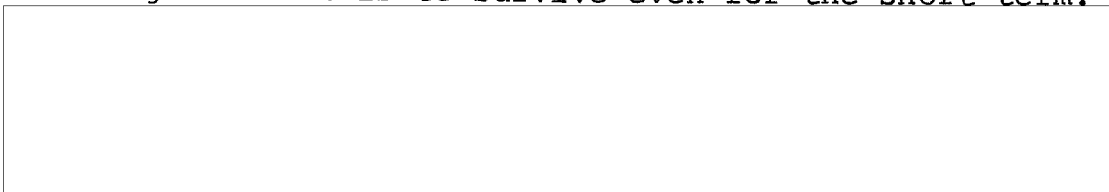
A large infusion of manpower is clearly needed if the government is to redress the situation along the Mekong. Units from the provinces will have to be sent directly to the Mekong corridor or, alternatively, to the Phnom Penh area to free other units for use in the corridor.

The government has another 65,000 soldiers elsewhere in the provinces, a seemingly ready supply of reinforcements. Only a handful of these belong to the general reserve, which has been used effectively for reinforcement in the past. The vast majority of troops in the provinces are in territorial units accustomed to

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a static defensive role. In the past, only a few of these territorial forces have performed well outside their home provinces.

Local commanders at most provincial centers should be able to hold on if some of their forces are withdrawn, but towns such as Kampot and Takeo may fall if significant numbers of troops leave. Any decisions to abandon holdings in the countryside will be hard ones for military leaders, but such choices will have to be made soon if the government is to survive even for the short term.



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PORTUGAL

The official version of the long-awaited economic and social plan, released today by the Portuguese government, is a moderate document that falls short of left-wing aspirations.

The plan provides for heavy government supervision of the economy through control of key industrial sectors and natural resources. The program declares that its "intention is to build a society in which the intervention of the state will guarantee that the principal resources are employed for the well-being of the Portuguese people."

The government will obtain control of certain "essential" industries--such as oil and gas production, petrochemicals, steel, and electricity--in forms varying from control of a simple majority of capital to complete nationalization. The plan assures, however, that the "larger part of economic activity" will continue in the hands of the private sector.

The plan welcomes foreign investment, as long as it stays out of defense-related industries, banks, and electricity. Outside funds are encouraged in areas where Portuguese technology will be improved, exports increased, or jobs created.

In the area of agricultural reform, the plan limits the size of irrigated farms to 125 acres and provides for limited expropriation of unused land on large holdings. Expropriated land will be converted into cooperative farms.

The program has already drawn criticism from the Communist-dominated labor confederation. In a communiqué published before the government's plan was made public, the labor organization dissociated itself from the plan on the grounds that its representatives were not consulted in all areas covered by the plan, and that positions counter to the Armed Forces Movement's program had been adopted.

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The US embassy in Lisbon reports that supervision of the economic plan is among the new legislative powers delegated to the seven-man military junta by the Armed Forces Movement. Embassy sources indicated last week that these powers were being expanded to make the junta responsible for removing harmful influences of the prior regime.

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the junta also will be charged with ensuring that the Movement's program is adhered to by future governments and will have the power to interpret the provisions of the economic plan.

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the Movement is entering negotiations with the political parties to establish a platform for each which conforms to certain standards set by the Movement. Among other requirements, the parties reportedly must agree to accept the economic plan for the next three years and to abide by the junta's interpretation of both the Movement's program and the economic plan.

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ITALY

The Italian Socialist Party has been trying to pave the way for its return to the governing coalition in a strengthened position vis-a-vis the dominant Christian Democrats. The latest meeting of the Socialist leadership, however, underlines the party's frustrations over its reduced options in the face of preparations for nationwide local elections this June.

The Socialists have held cabinet posts in most Italian governments since 1963, but they are currently limiting their role to providing parliamentary support for Aldo Moro's two-party coalition. Late last year, Socialist Party chief De Martino made it clear that he opposed Moro's goal of eventually bringing the Christian Democrats, Socialists, Social Democrats, and Republicans together again in another center-left coalition if, as in the past, the Christian Democrats refuse to grant the Socialists preferential treatment.

De Martino argued that the other two parties should, at best, have marginal roles. This assertiveness resulted mainly from Socialist successes in the divorce referendum, scattered local elections, and from opinion polls suggesting further gains for the left in the coming local elections.

At the recent leadership meeting, however, De Martino adopted a more moderate line. He soft-pedaled his call for preferential treatment and made it clear that he intended to subordinate such tactical questions to electoral preparations. Despite a lack of enthusiasm for this policy, the more radical elements of the party fell in behind De Martino.

Several factors account for the more cautious Socialist stance. Christian Democratic leader Fanfani, supported by a large majority of his party, flatly rejected the Socialist bid. Fanfani characterized the Socialist demand as a presumptuous claim to governmental influence in excess of the party's electoral base; the Socialists received about 10 percent of the vote in the last parliamentary race, compared to 38 percent for the Christian Democrats.

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Even more worrisome to the Socialists is the renewed attention being given to the Communist Party's campaign for a direct voice in national policy-making. Although the Socialists have frequently argued the Communist case in the past, they now seem more concerned about being overshadowed by the Communists--Italy's second largest party. A number of local Christian Democratic organizations recently began limited collaboration with the Communists, partially as a result of strained relations with the Socialists. The Christian Democratic national leadership rebuffed them, however, and there are signs that at least one of the local agreements--in the Venetian city government--may not hold. Nevertheless, the Socialists probably fear that this practice might spread, especially if the Communists score large gains in the spring elections.

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ETHIOPIA

No significant military activity was reported in Eritrea yesterday.

The entire province is under martial law, imposed by the ruling military council as it named General Getachew Nadew the new military governor. He was commander of the Ethiopian army. Getachew and other non-Eritreans replaced senior Eritrean commanders.

Sudanese President Numayri's peace initiative remains stalled. Osman Saleh Sabbe, the leader of the Popular Liberation Forces faction of the rebel movement, this week demanded again that the government recognize Eritrea's right to independence before any talks begin. He rejected Numayri's call for an immediate cease-fire, apparently because he believes the rebels have the upper hand militarily. Idris Mohamed Adum, the leader of the Eritrean Liberation Forces faction, is said to be still considering Numayri's proposal. Both rebel leaders are planning to meet with Numayri in Khartoum within the next few days.

Sudan would like to avoid having to make a choice between all-out support for the rebels and maintaining good relations with the ruling military council. Libya, the main supporter of the Popular Forces, backs the Sudanese cease-fire proposal. Qadhafi is sympathetic to the council's leftist policies, and he is apparently trying to maintain good relations with both the council and the rebels.

Arab countries are still providing military and other support for the rebels, but most Arab governments are not solidly behind the demand for complete independence. Saudi Arabia, which gives some aid to the rebels, favors federation as a solution to the Eritrean problem. Iraq has not yet taken a strong public stand in favor of Eritrean independence, perhaps because it is aware of the parallels that could be drawn to its own Kurdish problems. Egypt's response to the latest outbreak of fighting has also been muted.

Arab support for the Eritreans, however, is steadily becoming more vehement as the fighting continues. Syria

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recently issued a strong statement backing Eritrean independence and condemning Ethiopian atrocities. Kuwait on February 18 announced its total military support for the rebels. The Arab information ministers' meeting in Cairo this week called for Eritrean independence and characterized the Ethiopian army's effort as a "war of annihilation."

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ARAB STATES

Official representatives of the Arab League will meet in Cairo Sunday and will almost certainly discuss participation in Arab investment operations by banks with Jewish interests.

The growing importance of Arab financial institutions and their discriminatory practices against some banks have led to considerable concern within the international banking and financial community. The question of which institutions are affected by boycott rules has led to confusion within Arab circles as well.

Representatives of a Lebanese investment company apparently see a threat to the wide ties the company maintains in world financial centers. Boycott officials share this view and insist that the boycott be directed against banks supporting Israel economically, regardless of nationality or religious associations. Nevertheless, the Kuwait International Investment Company reportedly has withdrawn from a bond issue involving Lazard Freres of Paris, even though this institution is not on the official boycott list.

The meeting in Cairo may well develop into a struggle between Arab hardliners, who will seek a broad and sweeping exclusion of all banks regarded as supporting Zionism, and elements led by the Lebanese and Egyptians, who are seeking more moderate and individual interpretations of boycott rules. The compromise may entail a rigidly stated regulation that, like the existing boycott of industrial firms, is loosely applied by some Arab League members.

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